

# **POLICY FOR DETERMINING MATERIAL SUBSIDIARIES**

## **1. Background:**

The Securities and Exchange Board of India (“SEBI”) vide its Notification dated September 7, 2021, amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

Pursuant to this amendment, certain provisions of the Listing Regulations which were hitherto not applicable to debt listed entities were made applicable to “High Value Debt Listed Entities”.

As per Regulation 16(1)(c) of the Listing Regulations, “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds 10% percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

Explanation:- The listed entity shall formulate a policy for determining ‘material’ subsidiary.

Accordingly, this Policy on Determining Material Subsidiaries (“Policy”) has been framed and adopted.

## **2. Definitions**

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the Listing Regulations and in the absence of its definition or explanation therein, as per the Companies Act, 2013 and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

## **3. Identification of ‘Material’ subsidiary**

A subsidiary shall be considered as a material subsidiary if, its income or net worth exceeds 10% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

## **4. Governance Framework**

As required under the Listing Regulations, the following provisions will be applicable in respect of subsidiaries of Tata Capital Limited (“the Company”):

### **A. Unlisted Material Subsidiary (if any) -**

#### **a. Independent Director of the Company on the Board of unlisted material subsidiary**

At least one Independent Director of the Company shall be a director on the Board of the unlisted material subsidiary, whether incorporated in India or not.

For the purpose of compliance with the above, notwithstanding anything to the contrary contained in Clause 3 above, the term ‘material subsidiary’ shall mean a

subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

b. Secretarial Audit by material unlisted subsidiary incorporated in India

Every material unlisted subsidiary incorporated in India shall undertake secretarial audit and the secretarial audit report shall be annexed with the Annual Report of the Company.

**B. Material Subsidiary –**

a. Restriction on disposal of shares by the Company

The Company shall not dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in such cases where divestment is under a scheme of arrangement duly approved by a court/ tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

b. Restriction on disposal of assets

Selling, disposing and leasing of assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders of the Company by way of a special resolution, unless the sale / disposal / lease is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

**C. Unlisted subsidiaries whether material or not -**

i. Significant Transactions / Arrangements

The Management of the unlisted subsidiary shall periodically bring to the attention of the Board of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.

A transaction or arrangement shall be considered significant if it exceeds or is likely to exceed 10% of total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.

ii. Financial Statements

The Audit Committee of the Company shall periodically review the financial statements, in particular, the investments made by the unlisted subsidiary of the Company.

iii. Minutes of Unlisted Subsidiaries

The minutes of the Board meetings of the unlisted subsidiary of the Company shall be placed at the meeting of the Board of Directors the Company.

**5. Review of the list of material subsidiaries**

The Management shall prepare and present to the Board of Directors annually, the list of the subsidiaries of the Company including material subsidiaries together with the details of aforesaid compliances.

**6. Policy Review**

This Policy shall be subject to review as may be deemed necessary and in accordance with any regulatory amendments.

**7. Disclosure**

This Policy shall be disclosed on the website of the Company.